

FOUCH
PRIORITY

SECRET

(Security Classification)

DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

793.13/4-1454
X12 793.521
793.00

FROM : AMEMBASSY, TAIPEI

TO : THE DEPARTMENT OF STATE, WASHINGTON

REF : P'ENG Meng-shan, Deputy Commander-in-Chief of Formosa Peace
Preservations Headquarters, Taipei, 521 of March 15, 1954

For Dept. Use Only	ACTION REC'D 4/26	DEPT. IN F OTHER O	REVIEWED BY DATE 4/9/54
-----------------------	-------------------------	--------------------------------	-------------------------------

SUBJECT: Premier Chen Ch'eng and the Men

SUMMARY

In listing the factions within the Kuomintang it is no longer meaningful to name the Youth Corps as the Corps is now so split between Premier CH'EN Ch'eng, its former leader, and General CHIANG Ching-kuo that it no longer constitutes a political entity. What is significant today is who is allied with Ch'en and who is allied with Chiang. An effort will be made in this despatch to list those who are most closely and importantly associated with Ch'en.
END SUMMARY.

(NOTE: Mr. P. H. LEE, a member of the Embassy, is chiefly responsible for the summary of the Youth Corps' history and has supplied a considerable part of the biographic data. Mr. Richard LOW, also of the Embassy, has been most helpful in cross-checking and supplementing biographic data.)

Before proceeding to the question of personal alliances, however, a few facts may be given about the defunct San Min Chu Yi Youth Corps (), from which the former political faction got its name.

In compliance with Generalissimo CHIANG Kai-shek's instructions, the San Min Chu Yi Youth Corps was organized in Hankow in 1938 to rally Chinese youth to the national cause and to help rejuvenate the loose and languid Kuomintang party organization.

Patterned after the Nazi Youth Corps, the Corps was possibly suggested by General HO Chung-han (), following his inspection tour of Europe in 1937. It was, however, General Ch'en Ch'eng, who brought the Corps into actual being -- in his capacity of Minister, Political Training Board of the National Military Council. He was later appointed Secretary-General of the Corps, which position he held until 1940, when replaced by General CHANG Chih-chung ().

With Generalissimo Chiang serving concurrently as the Corps' Director-General, the Corps' highest organ was Central Headquarters

RWRinden:bjk

No enclosures

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken

SECRET FILE

DEPARTMENT OF STATE
RECEIVED
APR 28 1954
DIVISION OF BIOGRAPHIC INFORMATION

793.13/4-1454

Copy to FE/EA
11/21/54
55-2774
OF-701
235-1418
C-100

SECRET

(Classification)

which consisted of an Executive Council and a Supervisory Council, the former having effective control of the Corps. Under Central Headquarters were regional, district, and branch headquarters, paralleling the organization of the Kuomintang, but differing in that only those between the ages of 16 and 25 could join.

The enlistment of educated youth being the main objective of the Corps, university presidents and eminent scholars such as WANG Hsing-kung (), LI Shu-hua () and HAN Lih-wu () were invited to join either the Central Executive or Supervisory Councils. They served, however, in merely an advisory capacity.

In 1944, under the directorship of General CHIANG Ching-kuo, a Central Cadre Training School was opened to train senior workers in the Corps. The advance class of the School was a one-year class of 272 students; ordinary classes offered two years' instruction. Graduates of the School later formed the backbone of General Chiang's political organization.

Also in 1944 the Corps, in conjunction with the Kuomintang, launched an educated-youth-join-the-army movement with the goal of recruiting 100,000 educated young men to form 10 divisions. Before the year's end more than 93,000 young men had volunteered to join the army. The Youth Army was placed under the command of General IO Cho-ying (), one of Ch'en's faithful lieutenants. General Chiang was made Director of the Political Department of the Youth Army.

At the time of the Corps' establishment the C-C Clique had an almost dominant position in the Kuomintang and thus the Corps provided opportunity for elements opposed to the C-C Clique, notably those associated with the Whampoa Military Clique, to unite in a new group within the Party. Gradually this new faction became an important force and a constant, formidable challenger of the C-C Clique. It was reported that Generalissimo Chiang had chosen Ch'en as his eventual successor and, knowing that the latter had little influence within the Kuomintang, had intended that the Corps should provide Ch'en with necessary political support. In any case, the Generalissimo did give Ch'en real support in expanding the Corps in its early stages.

However, friendly rivalry between the Kuomintang, substantially controlled by the C-C Clique, and the Corps turned into bitter discord in many regions -- owing to personal friction and political dispute. The struggle was intensified after V-J day as both groups strove for political power and material gain in the recovered areas. The situation worsened to such an extent that Generalissimo Chiang, through a resolution passed at the Sixth Plenary Session of the Fourth Central Committee in 1947, ordered the Corps' amalgamation with the Party in the interests of unity. At that time Ch'en was

SECRET

SECRET

(Classification)

again the Corps' Secretary-General.

Finally abolished in 1946, the Corps' name remained as that of a new faction in the Kuomintang, which attained its zenith of political power in 1950, when Ch'en became Premier and General LIU Chien-ch'un (劉建勳), once his deputy in the Youth Corps, became President of the Legislative Yuan.

However, in recent years it has become increasingly clearer that the Youth Corps is no longer one political faction within the Kuomintang but that it is irretrievably split between the followers of Ch'en and those of General Chiang. To refer to a political figure in Free China as belonging to the Youth Corps is essentially meaningless -- what is important is whether his support is given to Ch'en or Chiang.

It is relatively easy to state with some assurance who is associated with Ch'en -- especially in the case of those who have long been allied with him. These persons are rarely in a position, after a decade or two of association, to shift their loyalties elsewhere -- even if personally advantageous to do so. However, with respect to the younger men whose connection with him has been less close and of less duration it is difficult to know whether they are still with him or whether they have gone -- or are going -- over to Chiang Ching-kuo. That Chiang's star seems to be rising and Ch'en's falling has not, of course, gone unnoticed by those ambitious for advancement in the Government and Party. In short, insofar as loyalties to Ch'en are concerned, the situation is fluid.

While the CH'EN brothers of the C-C Clique established their deep-rooted influence in the civil administration, Ch'en Ch'eng has drawn his strength from the army. An outstanding graduate of Paoting Military Academy, he has had the loyalty of many of the Paoting group, including the following generals, who at one time or another have been his close associates:

KUO Chi-chiao (郭寄嶠), former Governor of Kansu, now Minister of National Defense;

HUANG Chen-chiu (黃震球), former Deputy Commander, Kwangtung Peace Preservation Headquarters, now Commander-in-Chief, Combined Service Forces;

WANG Tung-yuan (王東原), former Governor of Hupeh, now Ambassador to Korea;

HSUEH Yueh (薛岳), former Governor of Hunan, now member of the Presidential Military Strategy Advisory Committee;

SECRET

SECRET
(Classification)

LO Cho-yin (), former Governor of
Fujian, now member of the President-
ial Military Strategy Advisory Committee.

Moreover, owing to his long, successful military career in the Chinese Revolution, Ch'en Ch'eng has won the friendly cooperation, if not active support, of a number of senior Whampoa Academy graduates, such as General HO Chung-han, Minister of Communications; General LIN Wei () presently a member of the President's Military Strategy Advisory Committee but formerly twice chief of Generalissimo Chiang's personal headquarters; and General KUEI Yung-ch'ing, formerly Commander-in-Chief of the Navy now Senior Military Aide to the President. It is said that General Kuei's rapid promotion was due largely to Ch'en's repeated recommendations.

One who has contributed greatly towards Ch'en's political advancement is General YU Ta-wei (), whom Ch'en holds in high regard. Yu, who served as Minister of Communications 1946-1949, was offered in 1948 the vice-chairmanship of the Taiwan Production Board (of which Ch'en was concurrently chairman) and in 1949 the deputy chairmanship of Southwest Military and Political Headquarters (of which Ch'en was chairman) -- but he did not serve in either capacity. When Ch'en became Prime Minister, Yu was offered the position of Minister of National Defense but he declined it owing to his poor health. In 1951, however, he accepted the appointment of Vice-Chairman, Council on United States Aid (CUSA) and the concurrent position of Special Assistant to the Chinese Ambassador to the United States. In this latter capacity he was expected to assist in the handling of American military and economic aid to Free China, as well as help straighten out the P. T. MAO (MAO Fang-chu) imbroglio.

Ch'en lost an influential and staunch friend when Dr. FU Szu-nien () died in 1951. President of National Taiwan University and a champion of democracy, Dr. Fu had the high regard of many important civil and military leaders. He was an ardent supporter of Ch'en's administration as well as one of its keen critics.

Apparently not significant in Ch'en's rise to power have been his two younger brothers, CH'EN Cheng-hsiu () Legislative Yuan member and CH'EN Mien-hsiu () General Manager, Land Bank of Taiwan.

One of the Premier's right-hand men in Kuomintang affairs is Mr. CH'EN Hsueh-p'ing, a member of the Central Committee of the Kuomintang. From 1949 until April 1953 (when the Provincial Government was reorganized) Ch'en was Provincial Commissioner of Education. This post was an important one; it gave him more direct, effective control over Free China's educational system than that of Education

SECRET

SECRET
(Classification)

Minister CH'ENG T'ien-fang, a leader in the C-C Clique. However, Ch'en, according to a reliable source, came into conflict with General Chiang Ching-kuo over the latter's Chinese Anti-Communist National Salvation Youth Corps and was therefore removed as Education Commissioner, Ch'en continues to serve as the Premier's liaison with prominent educators from North China. The recipient of an M.A. degree in psychology from Columbia University in 1927, he teaches in the psychology department of National Taiwan University.

Important also to the Premier in both the Kuomintang and the Government is Lt. General YUAN Shou-chien, Political Vice Minister, Ministry of National Defense. In this strategic position, Yuan reportedly seeks to offset, in Ch'en's interests, the growing influence of General Chiang Ching-kuo among the armed forces. As a member of the 10-man Standing Committee of the Central Committee of the Kuomintang, Yuan is very high up in the Party. It may be noted that when Ch'en was head of the Military and Political Affairs Administration for the Southeastern Provinces (1949-50) Yuan was Political Commissioner and Secretary-General of the Administration. He was a member of the first class to be graduated from the Whampoa Military Academy.

Among Premier Ch'en's close associates in the political field is the Political Vice Minister of Communications, Mr. LIU K'o-shu (劉科書). Since returning from England (where he studied at London University) he has worked closely with Ch'en. He has served with the latter in the Lushan Training Corps, the San Lin Chu Yi Youth Corps, the Political Training Board of the National Military Council, the Sixth War Area Headquarters (Secretary-General), the Hupeh Provincial Government (Secretary-General) and the Chinese Expeditionary Forces Headquarters (Secretary-General). Retiring and scholarly, Liu is said to be one of the Premier's chief advisers on political affairs. He was elected to the Legislative Yuan in 1944 and to the National Assembly in 1946.

Lt. General CHU Huai-ping (朱懷平), Ch'en's classmate at Paoing Military Academy, is another of the Premier's close associates. Chu is now Deputy Secretary-General of the Executive Yuan Planning Committee, which is charged with making plans for counterattacking Communist China and for reconstructing the recovered mainland.

General HUANG Kuo-shu (黃國書), Vice President of the Legislative Yuan, is one of the Premier's men, according to Mr. HU Kuang-t'ai. (Hu, who served as English Secretary to the Legislative Yuan when it was headed by LIU Lien-chun, Huang Kuo-shu (Acting President 1951-52) and CHANG Tao-fan is now Director, Commerce Department, Ministry of Economic Affairs.) Hu said that Huang was Secretary-General of the Yuan when Liu was its President and until Huang was elected Vice President in 1950. (It may be recalled

SECRET

SECRET
(Classification)

that Liu's close association with Premier Ch'en, with whom the legislators were exceedingly independent in 1951, was reportedly one of the main reasons for his ouster as President in 1951. Huang received military training in Japan, Germany and France.

In the administrative field Ch'en has long had among his supporters, General YANG Chi-tseng (), since 1950 General Manager of the Taiwan Sugar Corporation. (Exports of the Corporation, the activities of which are island-wide, account for the bulk of Formosa's foreign exchange earnings.) Educated in Germany, Yang worked for more than 15 years in the Ordnance Department of the Ministry of Defense. He was made Deputy-Director of Ordnance in 1944, Director in 1945 and Administrative Vice Minister of Defense in 1950 -- reportedly at Ch'en's recommendation. He is regarded as one of Ch'en's leading administrators and a first-rate industrial specialist.

Mr. YIN Chung-yung (), usually known as K. Y. YIN, has been affiliated with Ch'en in comparatively recent times. Originally a protege of Dr. T. V. SOONG, Yin served under Ch'en as one of the two executive members of the Taiwan Regional Production Board. This appointment was made at the recommendation of Mr. C. C. WANG (), formerly Secretary-General of the Council on United States Aid (CUSA). Chen was so impressed with his ability that he had Yin promoted rapidly. In 1950 Yin was put in charge of the Central Trust of China, which acts as the Chinese Government's selling and purchasing agent and handles the bulk of Formosa's export and import trade.

With easy access to Ch'en, almost all of his close aides have been with him many years. Their ability and loyalty have contributed much to his success but they have come in for comparatively little public attention. Among the leading members of what might be termed his "brain trust" are the following persons.

CHU Fu-sung (), since late 1952 Director, Information Department, Ministry of Foreign Affairs and a Counselor of the Executive Yuan since 1951, has been Ch'en's English secretary and official interpreter since 1949. Chu, who studied at London University, is associated with Chinese Ambassador to Japan, Dr. Hollington TONG, and his group.

KUO Chi (), Counselor of the Executive Yuan, Deputy Chief of the Kuomintang Central Committee's First Section (Organizations and Activities in Free China) and in charge of personnel affairs for the Executive Yuan, has been associated with Ch'en for some 20 years. He acts as liaison man between the Executive Yuan and the Legislative Yuan and something in the nature of "party whip" in the Legislative Yuan, according to his own account. He serves the Premier in various other confidential capacities, including that of "unofficial" English interpreter. A graduate of London University,

SECRET

SECRET
(Classification)

he spent three years in England and one year in the United States.

HO Lien-kuei (), Deputy Secretary-General of the Executive Yuan, was one of Ch'en's active assistants in the Youth Corps. After Japan's surrender he was appointed President of the Ho Ping Jih Pao (Peace Daily) -- formerly the Sao Tang Pao. The newspaper was operated by the Political Department of the National Military Council. Educated in England, he is influential in the Executive Yuan Secretariat as state documents come first to him to decide which will require the Premier's personal attention.

LIU Chen (), President of Taiwan Provincial Teachers College and a former member of the Legislative Yuan, was one of Ch'en's confidential secretaries during World War II. He was educated in Tokyo.

CHAO Chi-vao (), General Manager of the Bank of Communications and concurrently President of Taiwan Textile Mills, has been a close friend of the Premier for the past 30 years. He was Finance Commissioner of the Hupeh Provincial Government and Chairman of the Supply Board of the Formosa Provincial Government when these Governments were headed by Ch'en. His present appointment is generally interpreted as one of Ch'en's maneuvers to seize, from the C-C Clique, control of the Bank of Communications. The Bank, although not now in operation on Formosa, has important assets both on the island and abroad. Chao is the Premier's personal contact with Chinese financiers.

HSU Nai (), Political Vice Minister of Economic Affairs, was a technical expert of the Formosa Provincial Government and Director of the Political Department of South East Military and Political Headquarters when they were both under Ch'en.

LIU Mu-tseng (), Counselor of the Executive Yuan and concurrently Chief of the Office of Confidential Archives of the Executive Yuan, was in charge of the Secretariat of the Hupeh and Formosa Provincial Governments, when these were under Ch'en's governorship.

Despite the value Chinese tradition has set on the constancy of personal loyalty, there has been no dearth of examples, in the current Ch'en-Chiang struggle for power, that personal interests can transcend personal loyalties. Moreover, the trend seems to have been in one direction: towards Chiang.

The explanation of this phenomenon is not difficult. It is essentially that Chiang's star seems to be rising and Ch'en's to be falling. In addition to important accretions in Chiang's power in the past few years, Ch'en's poor health has tended to obscure his political future although he is a relatively young man (57).

SECRET

SECRET
(Classification)

in Chinese politics. The close personal and working relationships that now exist between President Chiang and his elder son seem to indicate to interested observers that General Chiang not only disposes of great power at present, but also that the President is preparing his son for much greater responsibilities in the future. For the politically ambitious such a state of things leads to an obvious, elementary conclusion: time to change over to General Chiang Ching-kuo.

Among those who were formerly considered very much in the Ch'en camp and have now apparently shifted over to Chiang are Lt. General P'ENG Meng-chi, effective head of the Provincial Peace Preservation Headquarters, and Mr. Hilton HSIEH, President of Shin Sheng Pao, second only in circulation and importance to the official Kuomintang organ, Chung Yang Jih Pao.

It may be recalled that in the Embassy's despatch No. 231 of December 4, 1951, a written statement by Colonel David D. BARRETT, then Army Attache at Taipei, was quoted: "P'eng is CH'EN Ch'eng's man, 100 percent, and in my opinion if the Gimo were to pass out of the picture, P'eng's Peace Preservation Forces would at once swing into line to seat Ch'en as head of the State.

".....To sum up, I think P'eng's main importance comes from his close relation to Ch'en Ch'eng and the powerful, mobile striking force which he controls absolutely".

Other information obtained by the RO and included in this despatch tended to support Colonel Barrett's conclusion although it was stated that "General Chiang Ching-kuo's powerful position today and his future prospects as the President's eldest son might dispose P'eng against too whole-hearted a commitment to General Ch'en."

During the past two years there has been accumulating evidence that relations between Chiang and P'eng have become closer. Lt. Colonel Barber, until recently MAAG Adviser to the Political Department of the Ministry of National Defense, commented on this development to the RO on various occasions. In a conversation with the RO on April 9, Mr. KUO Chi, associated in a confidential capacity with the Premier for about 20 years, stated that Chiang and P'eng necessarily work closely together as Chiang is the over-all head of the Chinese security police system and therefore needs to coordinate P'eng's activities. Kuo recounted how, in the case of the Peace Preservation Headquarters' arrest of the General Manager of the Taiwan Match Company for having in his possession a film which was made by the Japanese during the last war and in which President Chiang was described as "a dog", Chiang and P'eng had joined forces to defy Governor K. C. WU's order, in his capacity of Commander-in-Chief of the Headquarters, that the man should be released. They were successful, he said.

SECRET

SECRET
(Classification)

Milton Hsieh has been associated with the Premier for roughly two decades. He served as Ch'en's secretary in 1937 and as Deputy Director of the Publicity Department of the San Min Chu Yi Youth Corps in 1938. When Ch'en became Governor of Kupeh Province in 1939, Hsieh was made Director of the Lsin Kupeh Jih Pao. In 1945 Hsieh received a B.J. degree from the University of Missouri and in 1946 he received an M.A. degree from the University of Minnesota.

On September 15, 1953, in a conversation with the RO, Mr. KUO Chi related from first-hand knowledge the circumstances under which Hsieh became known to the Premier.

Hsieh, having in his student days become a communist, joined the Red Army in Kiangsi Province and served as editor of the "Red Star". Owing to overwork, he contracted tuberculosis. He was so ill when the communist forces retreated from Kiangsi in 1934 that he was left behind and was taken prisoner by the troops commanded by General Ch'en. As he freely confessed his communist activities to Ch'en and evinced intelligence and spirit, Ch'en not only forgave him but also took him into his own organization. Hsieh, assisted financially by Ch'en, studied in Chu-o University () in Tokyo from 1935 to 1936. With the outbreak of Sino-Japanese hostilities in July 1937 he returned to China and became the Premier's secretary.

Notwithstanding this background, there have been rumors that Hsieh was becoming associated with Chiang Ching-kuo. On March 28, 1954, Hsieh in a conversation with the RO described Chiang as "my intimate friend" and indicated that when he thought it necessary he could refer important matters to Chiang for decision or intervention. It is hard to believe that such a relationship could exist if Hsieh were as loyal to Ch'en as he was once thought to be.

Dr. CHENG Yen-fen (), Chairman of the Overseas Chinese Affairs Commission, Member of the Central Committee of the Kuomintang and Director of the Committee's Section on Overseas Chinese Affairs, was formerly classed as one of Ch'en's group. When Ch'en was head of the San Min Chu Yi Youth Corps, Cheng was its Deputy Secretary-General (1946-47). Moreover, it was during Ch'en's premiership that Cheng was named Chairman of the Overseas Chinese Affairs Commission and thus made a member of Ch'en's cabinet (Executive Yuan).

It is now said, however, by reliable sources that Cheng is drifting in the direction of Chiang. This phenomenon is attributed to Cheng's desire to have Chiang's indispensable support in his intelligent, energetic activities among the overseas Chinese and also probably in the advancement of his own career. Cheng places great emphasis on enlisting young Chinese on Formosa and overseas in the cause of Free China, as does General Chiang, so that in

SECRET

SECRET
(Classification)

this regard they share a common viewpoint.

CONCLUSION

DECLASSIFIED

This despatch has aimed to give some idea of who Premier Ch'en's supporters are and, in passing, to suggest that the nature of his support may change in the future. The leading question at the moment with regard to the Premier's prospects is whether he will be permitted to retain the premiership after his inauguration on May 20, 1954, as Vice President of the Republic of China. If he is to relinquish his present post it may well portend notable diminution in his power as the vice presidency is only a sinecure. If he is to hold the premiership concurrently, Ch'en's position in Free China might very well be notably strengthened. He is now thought to be General Chiang's main contender as eventual successor to the power now held by President Chiang. If President Chiang chooses to place Ch'en in the virtually functionless office of Vice President and some less powerful and less independent person in the premiership, Chiang Ching-kuo's role will thereby necessarily be greater -- and likewise the number of aspirants to supporting roles. In Free China, as everywhere, "Nothing succeeds like success".

What President Chiang's decision will be is not known, but many signs point to the removal of Ch'en as Premier. These further developments and what they may mean for Ch'en, for his associates and Free China will be discussed in a later despatch.

A copy of this despatch has been pouched to Hong Kong.

ACTION REQUESTED: Department please send copy to Tokyo.

K. L. RANKIN

DECLASSIFIED
SECRET